97-84051-5

Ennes, Stanton

The opportunities of the auditor

Washington, D.C.

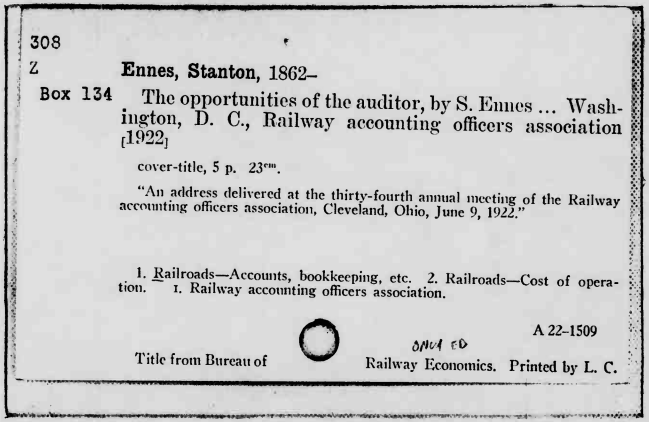
[1922]

97-84051-5
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD



308
Z
Box 134

Ennes, Stanton, 1862–

The opportunities of the auditor, by S. Ennes ... Washington, D. C., Railway accounting officers association [1922]

cover-title, 5 p. 23cm.

"An address delivered at the thirty-fourth annual meeting of the Railway accounting officers association, Cleveland, Ohio, June 9, 1922."

1. Railroads—Accounts, bookkeeping, etc. 2. Railroads—Cost of operation. 1. Railway accounting officers association.

A 22-1509

Title from Bureau of Railway Economics. Printed by L. C.

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 10:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 3-25-97 INITIALS: RB

TRACKING # : 22712

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

308
Z
Box 134

THE OPPORTUNITIES OF THE AUDITOR

BY

S. ENNES

Vice-President and General Manager
Wheeling & Lake Erie Ry. Co.

An Address delivered at the Thirty-fourth Annual Meeting of the Railway Accounting Officers Association, Cleveland, Ohio, June 9, 1922

Published by
RAILWAY ACCOUNTING OFFICERS ASSOCIATION
1116 WOODWARD BUILDING
WASHINGTON, D. C.

THE OPPORTUNITIES OF THE AUDITOR

S. Ennes

Vice-President and General Manager,
Wheeling & Lake Erie Ry. Co.

PRESIDENT J. J. EKIN: Gentlemen, I have a very dear friend with me this morning, a man with whom I was intimately associated during the troublous days of federal control and the months subsequent thereto. He is a man for whom I have the greatest admiration. I have found him always helpful so far as the accounting department is concerned. While he is in the operating department, he surely indicated to me that he has an appreciation of the accounting department and officers. I take pleasure in introducing to you Mr. Ennes, Vice-President of the Wheeling & Lake Erie Railway. (Prolonged applause.)

MR. ENNES: Thank you very much for that, gentlemen, and thank you, Mr. Chairman, for your expressions of friendship, which are mutual, I want to assure you. As Mr. Ekin says, we were together at the time that everybody was trying to move troops and munitions of war; and as I have always had an abiding faith in the necessity of an operating officer keeping in very close touch with what his costs were, it was very natural that Mr. Ekin and I should get pretty close together, and along that line.

As Mr. Ekin honored me by asking me to address you, I have jotted down some of the ideas that I think apply to the accounting or auditing officer as applied to the operation of a railroad.

I want to say, gentlemen, that in my judgment no man can hope to successfully operate a railroad, no man can hope to successfully handle the operating department of a railroad or the traffic department without an intimate knowledge of and a daily contact with the facts that should be gathered by his accounting department, and furthermore it is the responsibility, the duty and the opportunity of the auditor to assemble these facts and bring them to the attention of the management.

The reason for a railroad, the business of a railroad, is to move freight and passengers from place to place, and to perform this function successfully and adequately it must be done at a profit. Understand, gentlemen, done at a profit, as no matter how well we serve or please our patrons, no matter how adequate or satisfying is our passenger service, our freight service, our switching service and our car supply—unless we can provide these services and get black figures of sufficient value in the lower right-hand corner of the balance sheet, we have failed. And why have we failed with this excellent service? Because unless we can furnish this service at a profit, we cannot continue to furnish it—not only we cannot continue to furnish adequate service, but the time is coming when we won't be able to furnish service of any kind.

The economic law which compels a grocery store, a shoe store, a manufacturing plant to pay for its stock, its rent, taxes and operating expenses out of the business applies with equal force to a railroad, and I hope it always will. The railroads have not yet been subsidized in this country, and I hope they won't be in my time.

As you gentlemen know, the transportation business of the country is now facing the gravest period of its existence, and largely because of our inability, our failure to keep the necessary balance on the right side of the ledger.

Now as to the cause of this failure and a possible remedy:

For years we operating men have, in some degree, charged a large part of our trouble to inadequate rates, adverse legislation, labor unions, government control, but a man now on the Supreme Bench is reported to have said a great many years ago that a million dollars was wasted every day on the railroads of the United States; and as I grow older, I am less inclined to take issue with him. In locating that waste and helping to correct it is where, to my mind, gentlemen of the Accounting Department, your responsibility and your opportunities present themselves.

Many of the gentlemen here represent roads with a gross business in excess of one hundred million dollars a year, and some of you represent roads with a much larger gross income. Most of your roads are spending for operation seventy-five cents out of every dollar taken in over the counter. As we say, your operating ratio is 75 per cent or greater. Now 1 per cent of one hundred million dollars is one million dollars; and if the operating ratio can be reduced 1 per cent, the latter amount can be left in the treasury at the end of the year, and one million dollars is a lot of money, particularly when available at the end of the year.

At this point I would like to hazard a guess that there is not an auditor present who, down deep in his heart, does not believe that the operating expenses of his road could be reduced 1 per cent, and that applies with equal force to the auditor of the road that I have the honor to represent. He believes it just as strongly as any of you, and I agree with him.

Who is there about a railroad that has a better opportunity to find leaks, both of outgo and income, than the man who, from day to day, is recording the income and the outgo? Who has a better opportunity to know when the revenue for handling a car is too small, or the expense of handling too great, than the auditor? And when found, who can question that it is not only your duty and your responsibility but your opportunity to bring to the attention of your executives the costly irregularity?

Now, I can almost hear some of you say, "Yes, we know those things. We see them from day to day, but there are many reasons why we cannot follow your suggestion. First, we are reluctant to interfere in the other fellow's business. The traffic department is responsible for the rates and the operating department for the expenditures, and our duty is to make a record of both. Again, figures

mean so little to many of you operating men, you are flooded with statements that you never look at, and, besides, you don't take kindly to suggestions from men you regard as lacking in practical experience."

Now, gentlemen, I want to say to everyone who feels in that way, that following out that idea is unfair to your stockholders, who are your employers, is unfair to your President, to your associates on the staff, makes of you a mechanical bookkeeper instead of an auditor, and for that reason is unfair to your families and to yourselves.

The majority of you men got your promotion before seniority was ever heard of in your department, and you didn't get it by following any such idea. Instead you got it by being alert, by doing your work so that the attention of your boss was attracted to you. You displayed your wares as the merchant displays his goods; and when the customer, which in this case was your superior officer, needed the kind of services you had to sell, he purchased yours because he believed or hoped they were what he needed, and I want to say to you gentlemen that your opportunities to display superior service and sell that service at advanced figures are better now that you have reached the position of auditor, than they ever were before in your lives.

Now as to the operating officer, to whom figures mean little, or who is reluctant to accept suggestions: Unfortunately, that is true of many of us. Let me say, however, that in the fierce competition that is developing in our business the man who fails "to bring home the bacon" is going to have a lot of trouble keeping his name on the payroll, and I venture to say that the majority of them will welcome anything that will help them to get better results. The fellow who doesn't take suggestions and who can't see prominent figures is going to have a lot of trouble signing the payroll with regularity.

Again, it is possible, and I regard it as your duty, to make these important figures impressive, striking; make them show up like the tail light on an overland passenger train, and it can be done. For example, not long ago we found we were handling some carloads approximately fifty miles for three dollars. When that was brought to the attention of the traffic manager, he at least promised himself that he would not get caught in that way again. Again, a year ago we found it was costing us ten dollars every time we put an engine over the turntable. It has now been cut to five, largely by analyzing the costs which showed where reductions could be made.

One of the quickest and most effective ways of securing attention is by comparison. You know a lot of our understanding is the result of comparison. We consider a monument, a tree or a building high, or a man tall, because they are higher or taller than someone else, and this same state of mind or understanding applies very largely to our work. It is good so long as it is as good as our neighbor's. Our expenses are satisfactory if they are no greater than our neighbor's, and so with a large part of our every-day

work. This condition or this acceptance of comparisons affords you gentlemen an opening to introduce information regarding irregularities that will receive attention even if it is not always sympathetic. Give this a trial. When you gentlemen get back home, some of you take your major accounts, and also the principal accounts that go to make up these major accounts, and compare them with neighboring roads of the same general characteristics, and I warrant you that you will find some very happy and some equally disappointing situations. For example, after comparing maintenance and transportation expense as a whole, see how your track laying and surfacing, account No. 220, compares in cost per mile and per 1,000 gross ton miles, with your neighbor's. In your Maintenance of Equipment see how your repairs to steam locomotives, account No. 308, compare. On this account there are three ways of comparison, one being per engine mile, another per 1,000 gross ton miles, and another for 100 tons of tractive effort. Also see how the amount your railroad is spending on repairs per freight car, account No. 314, compares with your neighbor's.

In transportation, yard service usually carries the leaks, and it is well to compare accounts 377 to 382, inclusive, and, with the results obtained, I want to again say that unless the road you are connected with is an unusual one, you will develop some figures that will get very earnest attention.

Now that you have developed the leaks, the question is how to stop them, how to correct the irregularity, and in my judgment the remedy is simple—expose it; advertise it.

Leaks of income and of expense are very similar to irregularities of all kinds. They can't and won't stand the light of day, the light of investigation. As you all know, that applies to your personal income. If you check your personal expense, if you keep a record of it, you are sure to reduce it, and the same applies, if possible, with greater force to a railroad.

Begin by tabulating your costs down to the last cent and setting up one unit against another, and it has been my experience, based on a number of trials, that just the minute you begin to do this, you begin to get satisfying results. You have all of this information in your offices, and in actual practice you will find the cost of assembling it in a manner necessary to get results very much less than expected. As stated before we cut our cost of handling engines in two in less than a year, and it was done by separating the expenses in accordance with I. C. C. classification, and showing the man in charge of each unit not only what it was costing him for washing boilers, cleaning fires, coaling engines, etc., but the number of men he was using on each job, and alongside of it we placed the figures of what was being done at other engine terminals—with the result they all got busy and the cost came down, and I never have known it to fail. They will do it every time, just as sure as the sun comes up in the morning.

In the month of May, with an almost complete loss of our coal

business—I am talking now about our own railroad—which should represent 45 per cent of our gross, we will get a transportation ratio of not over thirty-three, and our auditor has had as much to do in getting that result as any other one man on the railroad, all by furnishing the men in charge of transportation the actual items of expense that go to make up the charges they are paid for supervising; and I want to assure you that when the Superintendent is made to appreciate his responsibility in the matter, and is shown where his money is going, there is a very large percentage of the money that stops going, and at the end of the year is left in the treasury. It is just as sure as that two and two make four.

Now, I have said a good deal in a technical way to a lot of you gentlemen that I appreciate is presumptuous, because the chances are that nine out of every ten of you here are doing the very things that I have talked to you about, and doubtless doing very much more, because I have touched on only the A, B, C of the game, but I was asked to say something and have taken advantage of the opportunity to talk on a subject that is dear to my heart because I honestly believe it is one of the ways that we fellows who operate railroads can get results—and we must get results if we are to stay in the business.

A reduction of 1 per cent in the transportation ratio of a railroad, where the gross is one hundred million dollars a year, means a net saving of one million dollars a year. Gentlemen, it means a million dollars left in the treasury; a million dollars that you can buy things with; a million dollars more at the end of the year. That percentage of reduction can certainly be made in the transportation costs of a lot of railroads, including the one I am operating right now, and I have always believed that the Auditor whose daily work affords him first-hand knowledge of, and whose duty it should be to watch for excesses, should be taught and required to take advantage of his position and bring these facts to the attention of his President and the other Executive Officers. If he does, he will not only be helping to save his road, but he will open the way for his own advancement, for the increase of his own salary, with which he can buy things to take home, buy things for his wife, send the children to school and provide for his old age—and that is what I would like to see all enjoy.

I thank you. (Prolonged applause.)

MSH #22912

END OF
TITLE